



HANOVER TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
38-1050  
FINANCIAL STATEMENTS AND  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS  
Year Ended March 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>HANOVER TOWNSHIP</b>	County <b>JACKSON</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/1/04</b>	Date Accountant Report Submitted to State: <b>9/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting System for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY PLC</b>			
Street Address <b>209 E. WASHINGTON AVE., SUITE 255</b>		City <b>JACKSON</b>	State <b>MI</b>
Accountant Signature <i>John Dove CPA</i>		ZIP <b>49201</b>	Date <b>9/15/04</b>

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# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
STEVEN C. CHWATUN, C.P.A.  
ALLISON I. COLE, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Hanover Township  
Jackson County, Michigan

We have audited the accompanying general purpose financial statements of Hanover Township as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hanover Township as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Hanover Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

July 1, 2004

HANOVER TOWNSHIP  
COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS  
March 31, 2004

	<u>GOVERNMENTAL FUND TYPE</u>		<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>	<u>TRUST AND AGENCY</u>	<u>GENERAL FIXED ASSETS</u>
<u>ASSETS</u>					
Cash, cash equivalents and investments	\$ 822,372	\$ 360,410	\$ 333,730	\$ 33,096	\$ -0-
Receivables:					
Accounts receivable	3,105	740	-0-	-0-	-0-
Special assessments	-0-	-0-	3,251,904	-0-	-0-
Due from other funds	489	8,498	-0-	-0-	-0-
Due from other governments	-0-	-0-	-0-	-0-	-0-
Taxes	8,667	9,292	-0-	-0-	-0-
Deposit with County	-0-	-0-	364,083	-0-	-0-
Fixed assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,085,395</u>
Total assets	<u>\$ 834,633</u>	<u>\$ 378,940</u>	<u>\$3,949,717</u>	<u>\$ 33,096</u>	<u>\$1,085,395</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 1,599	\$ 1,695	\$ -0-	\$ -0-	\$ -0-
Due to others	-0-	-0-	-0-	3,762	-0-
Due to other funds	8,498	-0-	-0-	489	-0-
Accrued liabilities and withholdings	7,232	10,520	-0-	-0-	-0-
Deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>3,251,904</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>17,329</u>	<u>12,215</u>	<u>3,251,904</u>	<u>4,251</u>	<u>-0-</u>
Fund Equity:					
Investment in general fixed assets	-0-	-0-	-0-	-0-	1,085,395
Retained earnings reserved for sewer	-0-	-0-	697,813	-0-	-0-
Fund balances:					
Reserved for cemetery:					
Expendable	-0-	-0-	-0-	3,045	-0-
Non-expendable	-0-	-0-	-0-	25,800	-0-
Unreserved	<u>817,304</u>	<u>366,725</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total fund equity	<u>817,304</u>	<u>366,725</u>	<u>697,813</u>	<u>28,845</u>	<u>1,085,395</u>
Total liabilities and fund equity	<u>\$ 834,633</u>	<u>\$ 378,940</u>	<u>\$3,949,717</u>	<u>\$ 33,096</u>	<u>\$1,085,395</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
REVENUES:		
Property taxes	\$ 78,480	\$ 85,242
Licenses and permits	9,786	37,191
State shared revenue	237,577	-0-
Charges for services	18,326	10
Interest	7,969	950
Contributions	-0-	225
Refunds and reimbursement	277	552
Miscellaneous	5,207	80
Total revenues	<u>357,622</u>	<u>124,250</u>
EXPENDITURES:		
Current:		
Township Board	12,132	-0-
Supervisor	6,228	-0-
Elections	5,052	-0-
Assessor	26,860	-0-
Attorney	1,793	-0-
Clerk	31,049	-0-
Land Division Board	2,350	-0-
Board of Review	1,012	-0-
Treasurer	20,856	-0-
Accounting	7,200	-0-
Township hall and grounds	6,000	-0-
Cemetery	26,557	-0-
Public safety	610	77,976
Building Authority	-0-	36,709
Sanitation	10,260	-0-
Zoning	1,584	-0-
Planning	628	-0-
Payroll taxes	6,403	-0-
Highway, streets and bridges	48,340	-0-
Street lights	3,801	-0-
Insurance	32,359	-0-
Capital outlay	7,900	-0-
Total expenditures	<u>258,974</u>	<u>114,685</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>98,648</u>	<u>9,565</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-0-	174,244
Operating transfers (out)	(174,244)	-0-
Total other financing sources (uses)	<u>(174,244)</u>	<u>174,244</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(75,596)	183,809
FUND BALANCE - APRIL 1	<u>892,900</u>	<u>182,916</u>
FUND BALANCE - MARCH 31	<u>\$ 817,304</u>	<u>\$ 366,725</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Property taxes	\$ 76,181	\$ 78,480	\$ 2,299
Licenses and permits	6,936	9,786	2,850
State shared revenue	240,000	237,577	(2,423)
Charges for services	15,860	18,326	2,466
Interest	15,000	7,969	(7,031)
Contributions	-0-	-0-	-0-
Fines	50	-0-	(50)
Refunds and reimbursements	100	277	177
Miscellaneous	1,919	5,207	3,288
Total revenues	<u>356,046</u>	<u>357,622</u>	<u>1,576</u>
EXPENDITURES:			
Current:			
Township Board	14,000	12,132	1,868
Supervisor	6,450	6,228	222
Elections	6,000	5,052	948
Assessor	27,000	26,860	140
Attorney	10,000	1,793	8,207
Clerk	35,000	31,049	3,951
Tax roll	50	-0-	50
Land Division Board	4,000	2,350	1,650
Board of Review	1,500	1,012	488
Treasurer	24,000	20,856	3,144
Accounting	8,000	7,200	800
Township hall and grounds	6,000	6,000	-0-
Cemetery	35,000	26,557	8,443
Public safety	20,000	610	19,390
Building Authority	-0-	-0-	-0-
Sanitation	10,350	10,260	90
Zoning	2,400	1,584	816
Planning	1,200	628	572
Payroll taxes	19,000	6,403	12,597
Highway, streets and bridges	48,500	48,340	160
Street lights	4,500	3,801	699
Insurance	29,600	32,359	(2,759)
Other	29,796	-0-	29,796
Capital outlay	13,700	7,900	5,800
Total expenditures	<u>356,046</u>	<u>258,974</u>	<u>97,072</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-0-</u>	<u>98,648</u>	<u>98,648</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-0-	-0-	-0-
Operating transfers (out)	(100,000)	(174,244)	(74,244)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(174,244)</u>	<u>(74,244)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER USES	(100,000)	(75,596)	24,404
FUND BALANCE - APRIL 1	<u>892,900</u>	<u>892,900</u>	<u>-0-</u>
FUND BALANCE - MARCH 31	<u>\$ 792,900</u>	<u>\$ 817,304</u>	<u>\$ 24,404</u>

See accompanying notes to financial statements.

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
---------------	---------------	---

100,500	183,809	83,309
<u>182,916</u>	<u>182,916</u>	<u>-0-</u>
\$ <u>283,416</u>	\$ <u>366,725</u>	\$ <u>83,309</u>



HANOVER TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE -  
 ENTERPRISE AND FIDUCIARY FUND TYPE - NON-EXPENDABLE TRUST  
 Year Ended March 31, 2004

	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>	<u>FIDUCIARY FUND TYPE NON-EXPENDABLE TRUST</u>
OPERATING REVENUES:		
Special assessments	\$ 342,245	\$ -0-
Perpetual care	<u>-0-</u>	<u>400</u>
Total operating revenues	<u>342,245</u>	<u>400</u>
OPERATING EXPENSES	<u>-0-</u>	<u>-0-</u>
OPERATING REVENUE	<u>342,245</u>	<u>400</u>
NONOPERATING REVENUES:		
Investment income	<u>251</u>	<u>328</u>
Total nonoperating revenues	<u>251</u>	<u>328</u>
NET INCOME	342,496	728
RETAINED EARNINGS/ FUND BALANCE - APRIL 1	<u>355,317</u>	<u>28,117</u>
RETAINED EARNINGS/ FUND BALANCE - MARCH 31	\$ <u>697,813</u>	\$ <u>28,845</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 COMBINED STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE - ENTERPRISE AND FIDUCIARY  
 FUND TYPE - NON-EXPENDABLE TRUST  
 Year Ended March 31, 2004

	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>	<u>FIDUCIARY FUND TYPE NON-EXPENDABLE TRUST</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 342,496	\$ 728
Adjustment to reconcile net income to net cash provided by operating activities:		
Interest earned on investments	(251)	(328)
Deposits	<u>(364,083)</u>	<u>-0-</u>
Net cash provided by operating activities	<u>(21,838)</u>	<u>400</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest earned on investments	<u>251</u>	<u>328</u>
Net cash provided by investing activities	<u>251</u>	<u>328</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(21,587)	728
<b>CASH AND CASH EQUIVALENTS - APRIL 1</b>	<u>355,317</u>	<u>7,612</u>
<b>CASH AND CASH EQUIVALENTS - MARCH 31</b>	\$ <u>333,730</u>	\$ <u>8,340</u>
<b>BALANCE SHEET RECONCILIATION:</b>		
Cash and investments	\$ 333,730	\$ 28,845
Less: Investments	<u>-0-</u>	<u>20,505</u>
Total cash and cash equivalents	\$ <u>333,730</u>	\$ <u>8,340</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of Presentation

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township are as follows:

Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue funds are used for public improvement, building code enforcement activities, and fire protection.

Proprietary Funds:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township accounts for a sanitary sewer system as Enterprise Fund.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds:

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations or other governmental units. The Township is trustee for the Cemetery Fund in which all monies are restricted for maintenance of area cemeteries. The Township utilizes a current tax collection agency fund to account for current property tax revenues collected and another agency fund for the collection and disbursement of special assessments and trailer fees.

Account Groups:

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting

All proprietary funds and non-expendable trust funds utilize the accrual basis of accounting. All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recorded when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenues when available to finance current operations. Revenues susceptible to accrual include expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid. The financial activity of the Agency Funds is limited to collection of amounts which are subsequently returned or paid to third parties and, accordingly, are limited to cash transactions.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Township considers all highly liquid debt instruments purchased with a maturity of three months or less at the time of purchase to be cash equivalents.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those contained in the formal budget approved by the Township Board. Budgetary control is exercised at the activity level. Any revisions to the budget must be approved by the Township Board. For the year ended, the original budgeted expenses and transfers of \$356,046, were increased to \$456,046 for the General Fund. The original budgeted expenses of \$36,000 were not increased for the Building Department Fund. The original budgeted expenses of \$85,438 were not amended for the Fire Fund; however, budget amendments were made at the activity level. There were no budgeted expenses for the Public Improvement Fund. The amended budgets for the General Fund, Building Department Fund, and Fire Fund, and original budgets for the Public Improvement Fund are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Property Tax Revenue Recognition

Property tax revenue is normally recognized in the year for which taxes have been levied, provided they are collectible during the year or within 60 days following that fiscal year's end. Delinquent property taxes are turned over to the County which reimburses the Township from its Revolving Tax Fund.

Fixed Assets

Fixed assets used in governmental fund type operations are recorded as expenditures in the fund at time of purchase. Purchased assets are then capitalized at cost where historical records are available and at estimated historical cost where no record exists in the general fixed assets group of accounts. Donated assets are valued at their estimated fair market value on the date received. No depreciation is provided on these fixed assets.

Public domain fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized.

Reservations of Fund Balances

Amounts reserved for cemetery expendable represent portions of fund equity which are required to be used for cemetery maintenance expenses and investment. Amounts reserved for cemetery non-expendable are to be used for cemetery investment only.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Operating transfers reported as other financing sources or uses in the accompanying financial statements reflect the transfer of operating subsidies from one fund to another.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. In the general purpose financial statements, the Township's actual expenditures and budgeted expenditures have been shown on a functional basis. The approved budgets of the Township were adopted to the activity level. During the year ended March 31, 2004, the Township incurred expenditures in excess of the amounts appropriated at the activity level as follows:

<u>FUND</u>	<u>BUDGETED APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund -			
Insurance	\$ <u>29,600</u>	\$ <u>32,359</u>	\$ <u>2,759</u>
Transfers out	\$ <u>100,000</u>	\$ <u>174,244</u>	\$ <u>74,244</u>
Building Department Fund -			
Building Authority	\$ <u>36,000</u>	\$ <u>36,709</u>	\$ <u>709</u>

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

2. INTERFUND BALANCES

Interfund Receivables

The following are the interfund receivables at March 31, 2004:

<u>FUND DUE TO</u>	<u>FUND DUE FROM</u>	<u>AMOUNT</u>	<u>TOTAL</u>
General Fund	Trust and Agency Fund - Current tax collection fund Total General Fund	\$ <u>489</u>	\$ 489
Special Revenue Fund - Fire Fund	General Fund	<u>8,498</u>	<u>8,498</u>
	Total interfund receivables		\$ <u>8,987</u>

3. CURRENT TAX COLLECTION AGENCY FUND

The Township collected \$2,760,169 in property tax, administrative fees, penalties and interest. These monies were distributable to the following governmental units:

State of Michigan	\$ 16,204
Jackson Intermediate Schools	699,606
Jackson County	1,109,892
Concord School	18,123
Hanover School	590,515
Hanover Township	317,329
Refunds/other	<u>8,500</u>
Total	<u>\$2,760,169</u>

4. TRUST AND AGENCY FUND

The Township collected \$6,426 in trailer park fees and special assessment monies. The monies were distributable to the following governmental units:

Jackson County	\$ 2,183
Hanover Township	437
Great Lakes Aquatic	3,306
Refunds/other	<u>500</u>
Total	<u>\$ 6,426</u>

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	BALANCE <u>4/1/03</u>	ADDITIONS	DELETIONS	BALANCE <u>3/31/04</u>
Land	\$ 22,156	\$ -0-	\$ -0-	\$ 22,156
Buildings	258,001	-0-	-0-	258,001
Machinery and equipment	<u>793,156</u>	<u>12,082</u>	<u>-0-</u>	<u>805,238</u>
Total	<u>\$1,073,313</u>	<u>\$ 12,082</u>	<u>\$ -0-</u>	<u>\$1,085,395</u>

6. PROPERTY TAXES

The Township property tax is levied each December 1, on the assessed valuation of property located in the Township as of the preceding December 31, the lien date. Assessed values are established annually by the County and are equalized by the State at an estimated 50% of current market value. The 2003 taxable value of the Township totaled \$93,123,158, on which ad valorem taxes of .8392 mills and .9115 mills were levied for Township operating and fire protection purposes, respectively.

Property tax revenues are recognized when they become available. Property taxes are considered available when levied. The tax levy date for the year ended March 31, 2004, is December 1, 2003. The collection period for property taxes levied December 1, 2003, is from the levy date to February 29, 2004, when they are turned over to the County for collection.

7. LEASES

The Township leases office space. The lease is recorded as an operating lease. Total lease expense for the year ended March 31, 2004, is \$6,000.

The following is a schedule of future minimum rental payments required under the above operating lease as of March 31, 2004:

<u>YEARS</u>	<u>AMOUNT</u>
2005	\$ 6,000
2006	6,000
2007	6,000
2008	1,500
2009	-0-
Thereafter	<u>-0-</u>
	<u>\$ 19,500</u>



HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

8. BALANCE SHEET - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in three banks in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for Hanover Township's cash deposits at March 31, 2004, are as follows:

BANK BALANCE

<u>DEPOSITS</u>	<u>TOTAL</u>
Insured (FDIC)	\$ 400,000
Uninsured	<u>1,151,614</u>
Total deposits	<u>\$1,551,614</u>

At March 31, 2004, the balance sheet carrying amount of deposits was \$1,549,508 and cash on hand of \$100.

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2: Uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the Township's name.

Category 3: Uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the Township's name.

At March 31, 2004, the Township had no credit risk investments.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

9. PRIOR PERIOD ADJUSTMENT

Certain errors resulting in the understatement of previously reported special assessments in the Sewer Fund were discovered during the current year. The cumulative effect of the correction was \$355,000. The opening balance of retained earnings was increased by \$355,000 to recognize the special assessment revenue received during the year ended March 31, 2003.

10. COMMITMENTS AND CONTINGENCIES

June 1, 2002, the Township and the Township of Liberty entered into a contract with the County of Jackson to acquire, construct and finance a sanitary sewage disposal system to serve a portion of each Township. At the completion of the project, the County will lease the system back to the Township for 40 years. At the conclusion of the lease, the County will transfer ownership of the System to the Township. Hanover Township's estimated cost of the project is \$4,558,055. The Township has assessed \$3,950,000 in special assessments against the properties specially benefited by the sewer disposal system.

As of March 31, 2004, the Township has deposited \$364,083 with the County to be applied towards the cost of the project.

## SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP  
COMBINING BALANCE SHEET -  
ALL SPECIAL REVENUE FUNDS  
March 31, 2004

	<u>BUILDING DEPARTMENT FUND</u>	<u>FIRE FUND</u>	<u>PUBLIC IMPROVEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 12,974	\$ 129,553	\$ 217,883	\$ 360,410
Receivables:				
Accounts receivable	740	-0-	-0-	740
Due from other funds	-0-	8,498	-0-	8,498
Taxes	<u>-0-</u>	<u>9,292</u>	<u>-0-</u>	<u>9,292</u>
Total assets	\$ <u>13,714</u>	\$ <u>147,343</u>	\$ <u>217,883</u>	\$ <u>378,940</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 650	\$ 1,045	\$ -0-	\$ 1,695
Accrued liabilities	<u>1,500</u>	<u>9,020</u>	<u>-0-</u>	<u>10,520</u>
Total liabilities	<u>2,150</u>	<u>10,065</u>	<u>-0-</u>	<u>12,215</u>
Fund balance:				
Unreserved	<u>11,564</u>	<u>137,278</u>	<u>217,883</u>	<u>366,725</u>
Total fund balance	<u>11,564</u>	<u>137,278</u>	<u>217,883</u>	<u>366,725</u>
Total liabilities and fund balance	\$ <u>13,714</u>	\$ <u>147,343</u>	\$ <u>217,883</u>	\$ <u>378,940</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
 Year Ended March 31, 2004

	<u>BUILDING DEPARTMENT FUND</u>	<u>FIRE FUND</u>	<u>PUBLIC IMPROVEMENT FUND</u>	<u>TOTAL</u>
REVENUES:				
Property taxes	\$ -0-	\$ 85,242	\$ -0-	\$ 85,242
Licenses and permits	37,191	-0-	-0-	37,191
Charges for services	-0-	10	-0-	10
Interest	-0-	751	199	950
Contributions	-0-	225	-0-	225
Refunds and reimbursements	-0-	552	-0-	552
Miscellaneous	<u>-0-</u>	<u>80</u>	<u>-0-</u>	<u>80</u>
Total revenues	<u>37,191</u>	<u>86,860</u>	<u>199</u>	<u>124,250</u>
EXPENDITURES:				
Current:				
Public Safety	-0-	77,976	-0-	77,976
Building Authority	<u>36,709</u>	<u>-0-</u>	<u>-0-</u>	<u>36,709</u>
Total expenditures	<u>36,709</u>	<u>77,976</u>	<u>-0-</u>	<u>114,685</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>482</u>	<u>8,884</u>	<u>199</u>	<u>9,565</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	-0-	-0-	-0-	-0-
Operating transfers in	<u>-0-</u>	<u>-0-</u>	<u>174,244</u>	<u>174,244</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>174,244</u>	<u>174,244</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	482	8,884	174,443	183,809
FUND BALANCE - APRIL 1	<u>11,082</u>	<u>128,394</u>	<u>43,440</u>	<u>182,916</u>
FUND BALANCE - MARCH 31	\$ <u><u>11,564</u></u>	\$ <u><u>137,278</u></u>	\$ <u><u>217,883</u></u>	\$ <u><u>366,725</u></u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
COMBINING BALANCE SHEET -  
FIDUCIARY FUNDS  
March 31, 2004

	NON- EXPENDABLE <u>TRUST FUND</u> CEMETERY <u>TRUST</u>	<u>AGENCY FUNDS</u> CURRENT TAX <u>COLLECTIONS</u>	TRUST AND <u>AGENCY</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ <u>28,845</u>	\$ <u>489</u>	\$ <u>3,762</u>	\$ <u>33,096</u>
Total assets	\$ <u>28,845</u>	\$ <u>489</u>	\$ <u>3,762</u>	\$ <u>33,096</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to others	\$ -0-	\$ -0-	\$ 3,762	\$ 3,762
Due to other funds	<u>-0-</u>	<u>489</u>	<u>-0-</u>	<u>489</u>
Total liabilities	<u>-0-</u>	<u>489</u>	<u>3,762</u>	<u>4,251</u>
Fund balances:				
Reserved for cemetery:				
Expendable	3,045	-0-	-0-	3,045
Non-expendable	<u>25,800</u>	<u>-0-</u>	<u>-0-</u>	<u>25,800</u>
Total fund balances	<u>28,845</u>	<u>-0-</u>	<u>-0-</u>	<u>28,845</u>
Total liabilities and fund balances	\$ <u>28,845</u>	\$ <u>489</u>	\$ <u>3,762</u>	\$ <u>33,096</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 ALL AGENCY FUNDS  
 Year Ended March 31, 2004

<u>CURRENT TAX COLLECTION FUND</u>				
	<u>BALANCE</u>			<u>BALANCE</u>
	<u>4/1/03</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>3/31/04</u>
<u>ASSETS</u>				
Cash	\$ <u>1,005</u>	\$ <u>2,760,169</u>	\$ <u>2,760,685</u>	\$ <u>489</u>
Total assets	\$ <u><u>1,005</u></u>	\$ <u><u>2,760,169</u></u>	\$ <u><u>2,760,685</u></u>	\$ <u><u>489</u></u>
 <u>LIABILITIES</u>				
Liabilities:				
Due to other funds	\$ 958	\$ 317,329	\$ 317,798	\$ 489
Due to state	-0-	16,204	16,204	-0-
Due to county	-0-	1,109,892	1,109,892	-0-
Due to schools	-0-	1,308,244	1,308,244	-0-
Refunds/other	<u>47</u>	<u>8,500</u>	<u>8,547</u>	<u>-0-</u>
Total liabilities	\$ <u><u>1,005</u></u>	\$ <u><u>2,760,169</u></u>	\$ <u><u>2,760,685</u></u>	\$ <u><u>489</u></u>

See accompanying notes to financial statements.

TRUST AND AGENCY FUND				
BALANCE			BALANCE	
<u>4/1/03</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>3/31/04</u>	<u>TOTAL</u>
\$ <u>4,560</u>	\$ <u>6,426</u>	\$ <u>7,224</u>	\$ <u>3,762</u>	\$ <u>4,251</u>
\$ <u>4,560</u>	\$ <u>6,426</u>	\$ <u>7,224</u>	\$ <u>3,762</u>	\$ <u>4,251</u>

\$ -0-	\$ 436	\$ 436	\$ -0-	\$ 489
-0-	-0-	-0-	-0-	-0-
-0-	2,183	2,183	-0-	-0-
-0-	-0-	-0-	-0-	-0-
<u>4,560</u>	<u>3,807</u>	<u>4,605</u>	<u>3,762</u>	<u>3,762</u>
\$ <u>4,560</u>	\$ <u>6,426</u>	\$ <u>7,224</u>	\$ <u>3,762</u>	\$ <u>4,251</u>



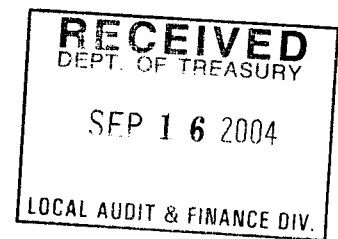
**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
STEVEN C. CHWATUN, C.P.A.  
ALLISON I. COLE, C.P.A.

July 1, 2004

Township Board  
Hanover Township  
Jackson County, Michigan



Board Members:

We have audited the general purpose financial statements of Hanover Township for the year ended March 31, 2004, and we have rendered our opinion thereon dated July 1, 2004. Based upon our audit, we offer the following comments:

Budgets

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of the amount appropriated in two activities. The Township should amend its budget before this occurs.

We also noted at board meetings expenditures were authorized, and then a budget amendment was made. We suggest that the process be reversed so that the budget is amended prior to the approval of the expenditures.

General Procedures

We suggest that the Township consider adopting the budget using the general appropriations act resolution. A copy can be found on the MTA's website.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

*Dove & Hickey, P.L.C.*